



AR21

Southam Inc.

1979 Annual Report



Operating revenue
Southam Newspapers
Southam Printing
Southam Communications
Coles Book Stores

Southam Inc.

a constrained share company (see note 9 page 11), incorporated under the Companies Act of Canada by Letters Patent dated December 7, 1927, and commenced business on January 1, 1928. By amended and supplementary letters patent the company was continued under the Canada Business Corporations Act on December 20, 1978. Since May 1945 the shares of the company have been listed on the Montreal, Toronto and Vancouver stock exchanges. Stock Transfer Agent, The Royal Trust Company; Stock Registrar, The Bankers Trust Company.

Annual general meeting

The annual general meeting of the shareholders of the company will be held at 3:00 p.m. on Thursday, April 24, 1980 in the conference room, 10th floor, Confederation Life Building, 321 Bloor Street East, Toronto.

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The year's results at a glance

(Thousands of dollars except where indicated*)

Consolidated, with comparative figures for 1978

1979

1978

1

Income

Gross revenues	\$504,437	\$384,401
Gross expenses (excluding depreciation and amortization)	435,852	325,434
Depreciation and amortization	12,824	9,961
Income taxes	23,313	17,982
Income before extraordinary items	32,448	31,024
* per common share	2.61	2.49
Extraordinary items	7,202	2,209
Net income	39,650	33,233
Dividends paid	14,989	14,616
* per common share	1.20	1.17

Financial position

Working capital	\$ 13,588	\$ 22,637
Investments	48,347	38,103
Fixed assets (net)	117,318	101,408
Goodwill	30,030	30,180
Long term debt	27,289	39,782
Deferred income taxes	22,932	18,491
Shareholders' equity	159,406	134,289
Return on equity — historical (adjusted)	17.1%	18.9%
— adjusted for inflation	9.5%	10.8%

Statistics

Advertising lineage — newspapers (1,000s)	433,036	395,266
Advertising pages — magazines (1,000s)	17	17
Daily newspaper circulation — December (1,000s)	1,155	1,134
Number of employees	9,571	8,814
Salaries, wages and employee benefits	\$167,841	\$137,075
*Price range per common share	\$29.00-24.75	\$27.25-19.75



Your directors take pleasure in submitting the annual report of the company for the year ended 31 December, 1979.

Although income before extraordinary items increased only modestly, demand for all the company's principal products remained strong and at the operating level major gains were enjoyed at most divisions and subsidiaries.

Two unusual factors – a prolonged strike at Pacific Press in Vancouver and an expensive battle preceding the demise of the Montreal Star, with which Southam's Gazette had for many decades been in competition – adversely affected income per share by approximately 70 cents. In spite of these factors, income before extraordinary items gained 4.6 percent.

A more encouraging return flowed from the sale of Calgary Herald land and buildings in the final quarter. The paper will vacate this site in 1982 when it moves to new premises currently under construction. The sale resulted in an extraordinary gain of \$6,500,000.

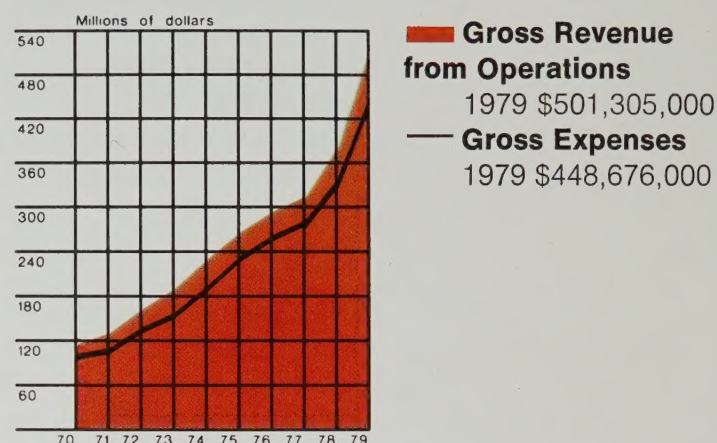
Net income, at a record \$39,650,000, was up 19.3 percent.

Operating highlights

Results by business segment are set out in some detail on page 12. A summary of the year's performance shows:

	% Change
Newspaper lineage	+ 10.0
circulation	+ 2.0
revenue	+ 20.7
income	+ 4.8
Printing revenue	+ 17.5
income	+ 48.7
Communications revenue	+ 34.5
income	+ 147.9
Gross revenue, all operations	+ 32.2
Operating expenses	+ 33.8
Operating income	+ 13.9

As mentioned, the demise of The Montreal Star was preceded by significant losses at The Gazette. If these losses were excluded, newspaper income would be ahead by approximately 31 percent and consolidated operating income by 35 percent.



Coles Book Stores Limited made a major contribution to consolidated revenue and income, but its results are not comparable with 1978 when only two months were included following its acquisition in that year.

Interest expense increased significantly to \$7,586,000 because of the consolidation of Coles for a full year and the general rise in bank prime rates.

Our equity in the net income of associated companies declined 40.8 percent because of the eight month strike at Pacific Press which ended on 29 June. Equity from other associated companies increased 38.4 percent.

An important measure of overall performance is the relationship of pre-tax operating income to total revenues. Because of the unusual losses at The Gazette and the consolidation of Coles' retail sales the operating margin declined to 10.5 percent from 11.5 percent in 1978.

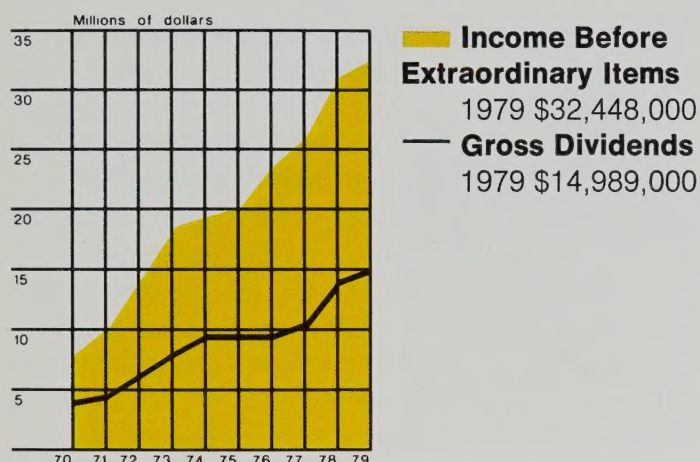
A more detailed report on the operations of all major divisions, subsidiaries and associated companies appears on pages 14 to 19.

Per share income and dividends

Earnings per common share, after preferred dividends of \$95,000, were \$2.61 (\$2.49 in 1978) before and \$3.18 (\$2.67 in 1978) after extraordinary items.

A quarterly dividend rate of 30 cents per common share, established for the final quarter of 1978, was maintained and \$14,894,000 was paid to common shareholders in 1979.

Last year's annual report mentioned an option under which individual shareholders may choose to receive some or all of their dividends in common shares. Under this plan \$2,211,000 of the 1979 payout was in the form of 82,390 common shares.



The company has also commenced purchasing shares for cancellation in approximately the same quantities as those issued as dividends. The purpose is to avoid dilution of issued share capital. In 1979, 64,400 shares were purchased for \$1,755,000. This is covered in more detail in note 9 on page 11.

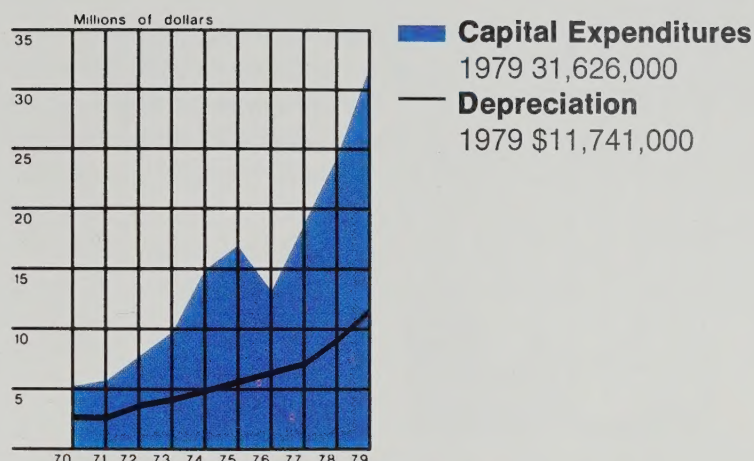
In recent years Southam's dividend policy has been to pay between 40 and 50 percent of net income to common shareholders. In 1979, because of the substantial capital gain, distribution dropped to 37.6 percent. In January, 1980, the quarterly dividend was increased to 40 cents.

Our dividend policy has been determined by balancing the internal need for capital to finance the current program of fixed asset expansion with the shareholders' desire for cash income. Consideration has also been given to the fact that our equity in the income of associated companies substantially exceeds the amounts actually received as cash dividends from these companies.

In only one of the last ten years, 1970, has the dividend exceeded 50 percent of net income. Looking ahead the directors anticipate that approximately 40 percent of income will be available for shareholders and that 60 percent will need to be re-invested to maintain the company's asset base. One result of an inflationary environment is that fixed assets can only be replaced at a very much higher cost than historical book values.

Financial position

The company's financial position remains strong. During the year \$31,626,000 was spent on additions to fixed assets. This was approximately \$9,000,000 less than forecast but the difference is because of changes in timing of some projects rather than any change in planned expenditures.



Working capital, which increased significantly in 1978 with the Coles acquisition, was reduced by \$9,049,000 and ended the year at a level we consider entirely satisfactory.

Long term debt was reduced by \$12,493,000 to \$27,289,000. Current bank advances increased \$3,881,000 to \$32,656,000. Total debt of \$71,707,000 represents 45 percent of shareholders' equity.

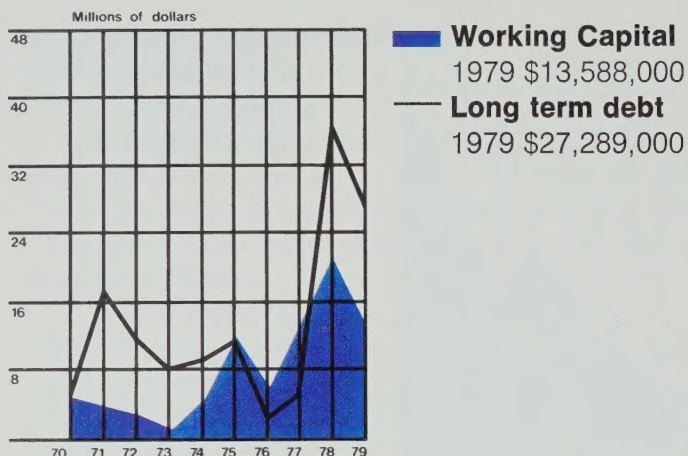
Investment in fixed assets in 1980 is presently forecast at \$64,000,000. An additional \$23,000,000 has been approved by the directors for projects continuing into 1981 and 1982.

Separate from these commitments are the terms of an agreement reached with F.P. Publications Limited at the time the Montreal Star ceased publishing. Under this agreement Southam has an option to purchase the Star's plant for \$16,000,000 and F.P. has an option to purchase a one-third interest in The Gazette for \$13,000,000.

Adequate lines of credit have been established to cover the company's anticipated commitments.

Inflation accounting

The effects of inflation continue to bedevil boards of directors as they report on their companies' financial results. In December, the Canadian Institute of Chartered Accountants published an "exposure draft" prepared by its accounting research committee.

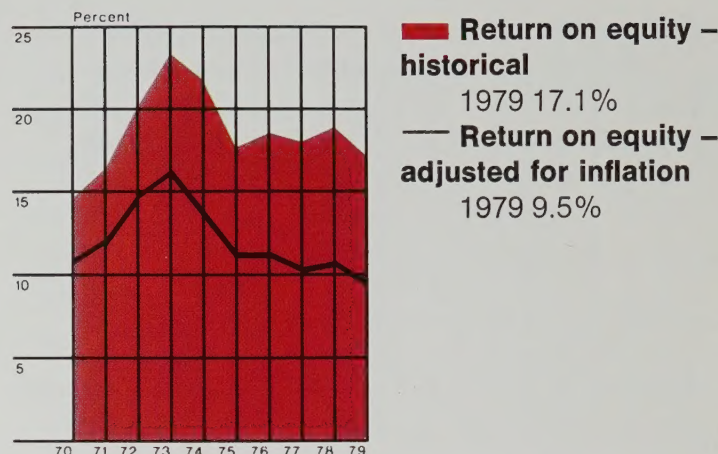


Under the proposed recommendations no changes would be made to traditional financial statements as now reported. "Current cost" information would be presented as a supplement to these statements. We have not had sufficient time to analyse these recommendations fully and the proposed supplementary information is not included in this report.

Since 1975 Southam has reported its results using an alternative and less precise measure of inflationary effects. The specific adjustments were described in detail in our annual report for that year. In the absence of widespread consensus on newer techniques we have continued this practice. The information appears in the form of return-on-equity data at the bottom of the ten year summary on pages 28 and 29.

Because 1979 was a year of continued inflation, significant re-investment of undistributed income and constraints on income already mentioned, the return-on-adjusted-equity of 9.5 percent was a ten year low.

The following general comments are worth repeating from earlier reports. By no standard of measurement can our profits be considered excessive. Corporate profits are generally overstated as a result of inflation and result in the taxation of "illusory" profits. The best cure for this situation is to arrest inflation rather than to initiate a program of widespread inflation accounting that will rely on unsatisfactory judgments of hypothetical values.



Having said that, your directors emphasize that it is the nature of Southam's principal business to need less working capital than is the case in many other industries. Also, many of our communications products use less capital than would be typical of Canada's principal extractive and manufacturing companies. As a result, it is our opinion that Southam profits are less overstated by inflation than would otherwise be the case.

Community support

Two years ago our annual report advised shareholders that the company would discontinue all political donations. The directors' decision was reached as the result of discussions spread over several years, but was not unanimous.

During 1979, at the request of several directors, the earlier decision was reviewed and reversed. As a result \$10,000 was paid in 1979 to the federal party in power and to the party forming the official opposition. The company's re-instated policy excludes political donations to other federal parties, to provincial and municipal parties and to individual candidates for political office.

The company's support of a wide range of charitable, educational and cultural activities across Canada continued with donations totalling \$824,000, an increase of 8.4 percent over 1978.

Directors and officers

In 1967 the board of directors was increased from 15 to 17 members to allow representation of senior officers of companies acquired at that time.

One provision of the new Canada Business Corporations Act, under which the company "continued" in 1978, allows limited change in the size of the board without the need for shareholder approval. The board has determined that some reduction in size would now be appropriate.

At this year's annual meeting, 16 directors will be eligible for re-election and will be nominated. If elected, the board will include 10 outside directors and six officers of the company.

The retiring member is notable. Ross Munro joined Southam's group news services in 1948 after an earlier and outstanding career as Canada's senior war correspondent. He has successively been assistant publisher of the Vancouver Province and publisher of the Winnipeg Tribune, the Edmonton Journal and The Gazette. He was elected to the board in 1968 and the executive committee in 1971.

The respect and affection he earned within the company was matched by similar feelings throughout his chosen profession. His term on our board and as publisher in Montreal was continued beyond normal retirement because of the unique contribution he was able to make to The Gazette.

The company and its employees

At year end the company's workforce totalled 9,571, an increase of 757. The growth was spread over all operating divisions reflecting the record volume enjoyed during the year. The largest increase was in Montreal when The Gazette became the surviving English language daily in that market.

Payroll costs, including salaries, wages and benefits increased 22.4 percent to \$167,841,000. A significant factor was the inclusion of Coles' figures for 12 months rather than two months in 1978. The consolidation of Coles' less labour intensive sales also affected the relationship of payroll costs to total revenue which decreased to 33.5 percent from 36.2 percent the year before.

The company is party to 62 different collective agreements covering 68 union locals. Thirty-three percent of employees are union members. Twenty-four contracts were re-negotiated during the year without work interruptions. With memories of the AIB receding there has been a trend towards longer contracts.

Wage increases have moved steadily upwards as employees seek to protect their living standards in an inflationary environment. In three instances where negotiated increases clearly fell behind community patterns wage adjustments were initiated by the company beyond those required by the relative agreements.

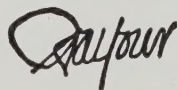
Throughout the company it is recognized that the quality of the working environment has a great impact on productivity. We try to ensure that employees are treated as individuals and work hard to make each employee feel part of a progressive team.

Several years ago the company accepted a proposal of The United Church of Canada to subject Southam to a "social audit". This involved visits to a number of operating divisions by church representatives and discussions or questionnaires involving several hundred employees. In December, 1979, the audit report was released and its summary found that "Southam is operated in a socially responsible manner."

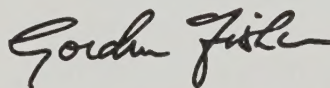
Outlook for 1980

The past year's demand for our products was larger than originally anticipated. This growth continued with a strong fourth quarter in spite of general economic predictions that were becoming increasingly bearish.

The major anomalies of 1979 in Montreal and Vancouver are behind us as we start a new decade. We have improved our position in all business categories. We are confident of the company's ability to sustain this growth. An improvement in return on equity, after adjusting for inflation, is a specific and achievable goal for 1980.



Chairman of the Board



President



Auditors' report to shareholders

6 We have examined the consolidated statement of financial position of Southam Inc. as at December 31, 1979 and the consolidated statements of income, reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the

company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell
Chartered Accountants

Toronto, Canada
February 14, 1980

Summary of accounting policies

Southam Inc.

December 31, 1979

The principal accounting policies followed by Southam Inc. and subsidiary companies are summarized hereunder to facilitate a comprehensive review of the financial statements contained in this report. All policies conform to generally accepted accounting principles and have been consistently applied.

Principles of consolidation

The consolidated financial statements include the accounts of all subsidiaries of which the more substantial are Southam Printing Limited, Southam Communications Limited (formerly Southam Business Publications Limited) and Coles Book Stores Limited. The accounts of Coles are consolidated on a two month delay basis for its fiscal year ended in October. The results of operations of subsidiaries are included in the consolidated financial statements from the dates of acquisition of control. The 1978 comparative figures include only two months operations of Coles from the date of its acquisition.

Beginning in 1973 the goodwill on acquisition, being the excess of the cost of investments in subsidiaries and business publications over values attributed to their net tangible assets, is recorded as an asset to be systematically amortized by charges to earnings over periods which at present range from 15 to 40 years. Prior to 1973, the goodwill represented by such excess cost was written off and charged to reinvested earnings.

Inventories

Materials and supplies included in inventories are valued at the lower of cost and replacement cost. Inventories of work in process, finished goods and retail merchandise are valued at the lower of cost and net realizable value. Work in process and finished goods include cost of raw materials, direct labour and manufacturing overhead expenses.

Associated companies

The company follows the equity method of accounting for all associated companies and accordingly, the equity in earnings attributable to these investments is included in income. Goodwill on acquisition included in investments in associated companies is accounted for in conformity with the method for subsidiaries and business publications set out above.

Fixed assets

Land, buildings, machinery and equipment and leasehold improvements are stated at cost. Depreciation is provided primarily on a straight line basis, using rates of 2½ percent per annum for buildings and 10 percent per annum for machinery and equipment. Leasehold improvements are amortized over the term of the applicable lease.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income.

Income taxes

The company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income.

The federal investment tax credit has been deferred and is being amortized over the depreciable life of the related assets.

The inventory allowance has been accounted for by the flow-through method, and accordingly is treated as a reduction of the current income tax provision.

Pension plans

Pension costs included in the consolidated statement of income represent contributions for current service and amortization of past service contributions under the plans and supplementary pension payments made to retired employees.

Consolidated statement of income

Year ended December 31,	1979	Percentage change	1978
	(Thousands of dollars)		
Revenue from operations			
Newspapers	\$287,488		\$238,179
Southam Printing Limited	119,949		102,072
Southam Communications Limited	41,734		31,033
Coles Book Stores Limited	52,134		7,824
	501,305	+ 32.2	379,108
Operating expenses			
Salaries, wages and employee benefits	167,841		137,075
Newsprint, paper and ink	113,318		93,561
Other supplies and services	147,107		92,192
Depreciation	11,741		9,263
Amortization of goodwill	1,083		698
Interest on long term debt	4,209		1,852
Other interest (net)	3,377		754
	448,676	+ 33.8	335,395
Operating income before income taxes	52,629	+ 20.4	43,713
Income taxes			
Current	19,857		14,806
Deferred	3,456		3,176
	23,313	+ 29.6	17,982
Operating income	29,316	+ 13.9	25,731
Equity in net income of associated companies (note 3)	3,132	- 40.8	5,293
Income before extraordinary items	32,448	+ 4.6	31,024
Extraordinary items (note 10)	7,202		2,209
Net income	\$ 39,650	+ 19.3	\$ 33,233
Earnings per common share (note 11)			
Before extraordinary items	\$ 2.61		\$ 2.49
After extraordinary items	\$ 3.18		\$ 2.67

Southam Inc.
a constrained
8 share company
(note 9)
(Incorporated under the
laws of Canada)

1979	1978
(Thousands of dollars)	

Cash	\$ 419	\$ 1,167
Accounts receivable	68,469	56,450
Income taxes recoverable		1,557
Inventories (note 2)	55,575	43,063
Prepaid expenses	2,601	1,982
	127,064	104,219
Deduct		

Bank advances	32,656	28,775
Notes payable	5,000	5,000
Accounts payable and accrued liabilities	45,643	36,642
Income taxes	16,468	4,198
Deferred revenue – subscriptions and rentals	6,947	4,594
Long term debt due within one year (note 6)	6,762	2,373
	113,476	81,582

Add		
Investments		
Associated companies (note 3)	37,837	36,881
Mortgages receivable (note 4)	9,970	920
Other investments	540	302
Fixed assets, less accumulated depreciation (note 5)	117,318	101,408
Advances – employees’ stock purchase loan plan	344	234
Goodwill	30,030	30,180

Deduct		
Long term debt (note 6)	27,289	39,782
Deferred income taxes	22,932	18,491
	50,221	58,273

Derived from		
Capital stock (note 9)		
Preferred shares – 5 per cent cumulative, convertible, voting, redeemable at \$100 per share Authorized and issued – 18,225 shares (1978 – 21,600 shares)	\$ 1,823	\$ 2,160
Common shares		
Issued – 12,430,452 shares (1978 – 12,400,273 shares)	8,798	8,005
Reinvested earnings	148,785	124,124
	\$159,406	\$134,289

Approved by the Board of Directors
St. Clair Balfour, Director
Gordon N. Fisher, Director

Consolidated statement of reinvested earnings

Year ended December 31,	1979	1978	9
	(Thousands of dollars)		
Balance at beginning of year	\$124,124	\$105,507	
Net income	39,650	33,233	
	163,774	138,740	
Deduct			
Dividends			
Preferred shares – 5 percent	95	108	
Common shares – \$1.20 per share (\$12,683,000 paid in cash and \$2,211,000 by issue of common shares) (1978 – \$1.17 per share paid in cash)	14,894	14,508	
	14,989	14,616	
Balance at end of year	\$148,785	\$124,124	

Consolidated statement of changes in financial position

Year ended December 31,	1979	1978
	(Thousands of dollars)	
Working capital derived from		
Operations		
Income before extraordinary items	\$ 32,448	\$ 31,024
Add items not involving current funds	14,921	11,793
	47,369	42,817
Proceeds from investments realized	1,659	2,081
Proceeds from disposal of fixed assets	1,581	1,694
Long term borrowing	6,788	32,500
	57,397	79,092
Working capital applied to		
Dividends paid in cash	12,778	14,616
Common shares purchased for cancellation	1,755	
Additions to fixed assets	31,626	24,354
Long term debt repaid or currently payable	19,281	5,198
Investments acquired	834	1,697
Acquisition less working capital at date of acquisition		25,657
Other items	172	(19)
	66,446	71,503
Increase (decrease) in working capital	(9,049)	7,589
Working capital at beginning of year	22,637	15,048
Working capital at end of year	\$ 13,588	\$ 22,637

Notes to consolidated financial statements

Southam Inc.

December 31, 1979

10 1. Accounting policies and segmented information

The summary of accounting policies contained herein represents the principal accounting policies applied in preparation of these consolidated financial statements.

Additional segmented information, supplementing that set out in these consolidated financial statements is provided herein. The directors of the company have determined the various classes of business for the company and its principal subsidiaries on the following basis:

Newspapers	Southam Inc.
Printing	Southam Printing Limited
Business publications and shows	Southam Communications Limited
Book sales and publishing	Coles Book Stores Limited

2. Inventories

	1979 (Thousands of dollars)	1978
Materials and supplies	\$19,762	\$12,904
Work in process	6,743	6,576
Finished goods	1,232	1,043
Retail merchandise (Coles Book Stores Limited)	27,838	22,540
	\$55,575	\$43,063

3. Investments in associated companies

	Percent interest in common shares	Carrying Value 1979 1978 (Thousands of dollars)
Newspaper and publishing		
Pacific Press Limited	50	\$ 7,898 \$10,058
Southstar Publishers Limited	50	454
Canadian Weekend Inc.	33	187
Sun Publishing Company Limited (Brandon)	49	480 526
Kitchener-Waterloo Record Limited	48	3,797 3,328
TV Guide Inc.	33	10,550 10,195
Radio and television		
Selkirk Holdings Limited		
A (non-voting)	38	} 14,353 11,455
B (voting)	30	
Other	50	572 865
		\$37,837 \$36,881

Goodwill amounting to approximately \$8,000,000 (1978 - \$8,100,000) is included in the amounts above.

Dividends received from associated companies and included in equity in net income amounted to \$1,836,000 (1978 - \$3,302,000).

4. Mortgages receivable

	1979 (Thousands of dollars)	1978
Maturing 1983, 10½ percent	\$ 920	\$ 920
Maturing 1982, 11 percent	9,050	
	\$ 9,970	\$ 920

5. Fixed assets

	1979 (Thousands of dollars)	1978
Land	\$ 9,841	\$ 7,656
Buildings	56,579	48,951
Machinery and equipment	127,113	115,560
Leasehold improvements	4,999	3,414
	198,532	175,581
Less accumulated depreciation	82,214	74,173
	116,318	101,408
Option to purchase buildings, machinery and equipment (note 7)	1,000	
	\$117,318	\$101,408

6. Long term debt

	1979 (Thousands of dollars)	1978
Southam Inc.		
Bank loan, due 1988, rate fluctuating with bank prime	\$ 19,980	\$ 32,500
Note payable, due 1980, 10½ percent	5,000	
Bank loans, mortgage and instalment contract, due to 1981, 7 percent to 10¾ percent	1,545	1,526
Perpetual redeemable 5 percent debentures	308	308
Subsidiary companies		
Debentures, due 1996, 11 percent	6,000	6,000
Debentures, 6 percent		1,000
Note payable, due 1981 9¼ percent	986	
Note payable, 8¼ percent		485
Other	232	336
	34,051	42,155
Deduct portion due within one year included in current liabilities	6,762	2,373
	\$ 27,289	\$ 39,782

Principal payable on long term debt amounts to \$6,762,000 in 1980, \$4,100,000 in 1981, \$3,295,000 in 1982, \$3,291,000 in 1983 and \$16,603,000 in subsequent years.

7. Commitments

(a) The company has approved a capital expansion program totalling approximately \$87,000,000 continuing through 1982.

(b) A wholly-owned subsidiary holds an option to purchase the plant of the former Montreal Star for \$16,000,000. Under the agreement, the subsidiary, which will operate The Montreal Gazette, has granted an option for one-third of its shares to F.P. Publications Limited at a price of \$13,000,000.

(c) Coles Book Stores Limited has obligations under long term leases for retail outlets and warehousing facilities extending for various periods to 1997. The minimum aggregate rentals under these leases amount to approximately \$45,500,000 of which payments required in each of the next five years are: 1980 – \$5,605,000; 1981 – \$5,300,000; 1982 – \$4,925,000; 1983 – \$4,660,000; 1984 – \$4,430,000.

8. Guarantee

The company has guaranteed certain indebtedness amounting to U.S. \$14,000,000 (1978 – U.S. \$15,750,000) in connection with its 33 percent interest in TV Guide Inc. Provision to increase the company's interest is provided for in the event that payments are made under the guarantee.

The company has also guaranteed the indebtedness of other associated companies amounting to \$2,000,000.

9. Capital stock

Share constraint

The issue or transfer of the company's shares to non-Canadian persons or corporations is restricted to a maximum of 25 percent of both the number of shares outstanding and the paid up capital attributable thereto. This restriction ensures that the company will continue to have Canadian status so that advertisers may deduct, for income tax purposes, the cost of advertising in any of its publications.

Preferred shares

The preferred shares are redeemable by the company at \$100 per share plus accrued and unpaid cumulative dividends on death of a holder, on transfer by a holder, or after November 17, 1981. The holder may convert preferred shares into the greatest number of common shares having an aggregate market value at the time of such conversion which does not exceed the aggregate redemption value of the preferred shares converted.

Common shares

The directors may determine whether to pay dividends in cash or by issuing fully paid common shares and which shareholders have the right to elect to receive such dividends in shares.

The directors have determined that shareholders who come within the "constrained class" or who are indebted in respect of shares included in the Employee Stock Purchase Loan Plan are ineligible to receive stock dividends on such shares.

Summary of share transactions for the year

	Preferred Shares	Amount (Thousands of dollars)
Issued at January 1, 1979	21,600	\$ 2,160
Conversion of preferred shares to common shares	(3,375)	(337)
Issued at December 31, 1979	18,225	\$ 1,823
	Common Shares	Amount (Thousands of dollars)
Issued at January 1, 1979	12,400,273	\$ 8,005
Conversion of preferred shares to common shares	12,189	337
Stock dividends	82,390	2,211
	12,494,852	10,553
Common shares purchased for cancellation	64,400	1,755
Issued at December 31, 1979	12,430,452	\$ 8,798

10. Extraordinary items

	1979	1978
	(Thousands of dollars)	
Gain on sale of fixed assets after income taxes of \$2,020,000 (1978 – \$187,000)	\$ 6,624	\$ 1,181
Gain on sale of investments after income taxes of \$274,000 (1978 – \$70,000)	578	1,028
	\$ 7,202	\$ 2,209

11. Earnings per share

The calculation of earnings per share is after deducting preferred share dividends of \$95,000 (1978 – \$108,000) and is based on the average number of common shares outstanding during the year of 12,417,770 (1978 – 12,400,273) shares.

12. Related party transactions

Southam Printing Limited, a subsidiary company, in the ordinary course of business sells printing to TV Guide Inc. on the same terms as transactions with unrelated parties. Accounts receivable include \$1,269,000 (1978 – \$1,212,000) due from TV Guide Inc.

Supplementary segmented information

(Thousands of dollars)

12

Total consolidated

	1979	1978
External sales	\$501,305	\$379,108
Intercompany sales	11,769	9,020
	513,074	388,128
Consolidating adjustments	(11,769)	(9,020)
Operating revenue	\$501,305	\$379,108
Gross income	\$ 73,039	\$ 56,280
Depreciation	11,741	9,263
Amortization of goodwill	1,083	698
Segment income	60,215	46,319
Interest	7,586	2,606
Income taxes	23,313	17,982
Operating income	\$ 29,316	\$ 25,731
Current assets	\$127,064	\$104,219
Fixed assets	117,318	101,408
Goodwill	30,030	30,180
Assets employed	\$274,412	\$235,807
Additions to fixed assets	\$ 31,626	\$ 24,354
Segment income as a percentage of assets employed	21.9	19.6

* The 1978 comparative figures for Coles are for the two months from the date of acquisition

Disposition of Revenue

(Thousands of dollars)

Year ended December 31	1979	
Revenue from operations	\$501,305	100.00%
Salaries and wages	154,632	30.85
Employee benefits	13,209	2.63
Newsprint, paper and ink	113,318	22.61
Other supplies and services	146,283	29.18
Community welfare donations	824	.16
Depreciation and amortization	12,824	2.56
Interest on borrowed funds	7,586	1.51
Income taxes	23,313	4.65
Dividends	14,989	2.99
Retained in company from operations	14,327	2.86
	\$501,305	100.00%

1979	1978	1979	1978	1979	1978	1979	1978*
\$287,488	\$238,179	\$119,949	\$102,072	\$41,734	\$31,033	\$52,134	\$ 7,824
930	329	10,839	8,691				
\$288,418	\$238,508	\$130,788	\$110,763	\$41,734	\$31,033	\$52,134	\$ 7,824

\$ 44,871	\$ 42,214	\$ 15,183	\$ 11,103	\$ 5,837	\$ 2,458	\$ 7,148	\$ 505
7,225	6,288	2,923	2,637	494	237	1,099	101
115	120	192	349	98	105	678	124
\$ 37,531	\$ 35,806	\$ 12,068	\$ 8,117	\$ 5,245	\$ 2,116	\$ 5,371	\$ 280

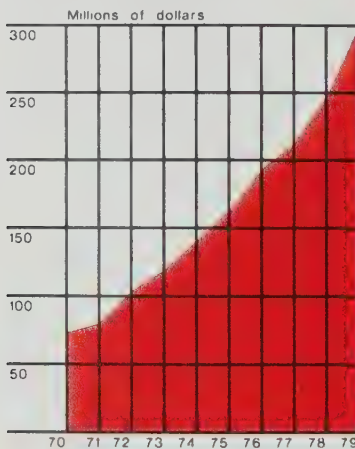
\$ 46,686	\$ 39,312	\$ 43,004	\$ 34,637	\$ 8,607	\$ 5,553	\$28,767	\$24,717
80,396	69,231	26,548	23,205	2,399	2,154	7,975	6,818
2,005	2,119	2,118	2,327	1,420	573	24,487	25,161
\$129,087	\$110,662	\$ 71,670	\$ 60,169	\$12,426	\$ 8,280	\$61,229	\$56,696
\$ 21,548	\$ 19,631	\$ 6,382	\$ 4,121	\$ 1,438	\$ 108	\$ 2,258	\$ 494
29.1	32.4	16.8	13.5	42.2	25.6	8.8	—

1978	
\$379,108	100.00%
125,777	33.18
11,298	2.98
93,561	24.68
91,432	24.12
760	.20
9,961	2.63
2,606	.69
17,982	4.74
14,616	3.85
11,115	2.93
\$379,108	100.00%



Newspaper Revenues

1979 \$287,488,000



One of three press lines under construction in the Journal's new press building in southeast Edmonton.

Since 1877, when William Southam purchased a half interest in the Hamilton Spectator, the Southam name and reputation has developed with its newspaper activities. In 1979 our 13 dailies and the Financial Times contributed 56.2 percent of total operating revenue and 62.3 percent of consolidated operating income before income taxes and interest. Approximately 5,500 employees are directly involved in newspaper activities.

The importance of the nation's daily newspapers, with their unique role as the major medium of information and news, has been reflected in Southam by a number of policies aimed at protecting editorial independence and at avoiding conflicts of interest that might prejudice the free flow of news and comment.

1. The company has no "Southam" editorial policy. Newspapers are community services and ours are published in the communities they serve by management teams that make their own editorial judgments.
2. The company will have no financial interest in enterprises outside the communications field.

3. Officers of the company and senior publishing executives may not act as directors of other unrelated firms operated for profit.

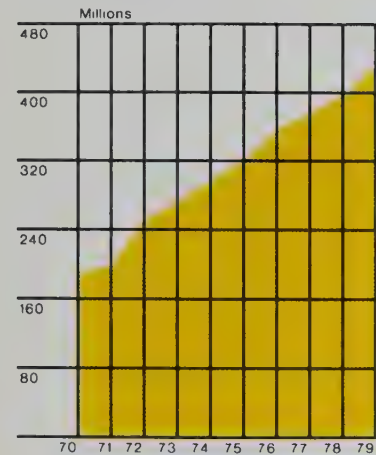
4. Officers, editorial personnel and other key publishing executives are expected to remain free from political and other outside activities if such activities might influence or appear to influence free expression in any of the company's newspapers.

Consistent with these policies has been the development over the years of group services in news gathering, in advertising selling and in support services such as personnel, engineering and finance.

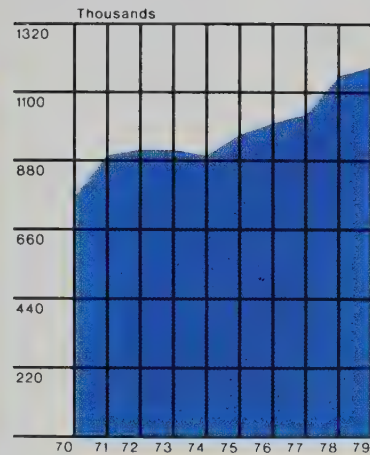
In 1979 this newspaper organization enjoyed further growth. Advertising revenue increased 22 percent, circulation revenue 14 percent and, before income taxes and interest, operating income reached a record \$37,531,000.

Advertising linage

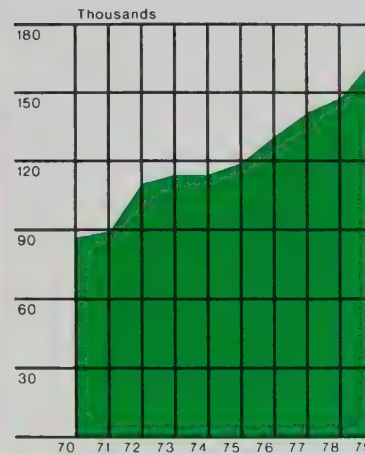
1979 433,036,000

**Circulation**

1979 1,155,000

**Newsprint tonnage**

1979 162,000



Of particular significance was the continued growth in share of market where we face direct competition. In Montreal the death of our competitor received much publicity. Less well publicized was the move of our Ottawa competitor from afternoon to morning publication with an encouraging result in our position in that market. Growth in Winnipeg, Calgary and Edmonton was also in the face of direct local competition.

Early in 1980 control of F.P. Publications Limited, with which Southam has been competing in Montreal, Ottawa, Winnipeg and Calgary, was sold to Thomson Newspapers Limited. Thomson now publishes 43 daily newspapers in Canada as well as a number of others distributed less frequently. Its Canadian daily circulation is estimated at 1,200,000. Southam ended 1979 at 1,155,000 representing 21.3 percent of the national total.

It is too soon after this major change in ownership for us to predict what effect it may have in terms of competition, but Southam has started a new decade with great confidence in our position and, more particularly, our people.

The plant expansion, mentioned last year, is on schedule. The new production facility for the Edmonton Journal will be completed and in use in May of this year. Ground was broken last September for a new integrated plant for the Calgary Herald, to be ready for occupancy in 1982. A site for a new plant has been bought for the Medicine Hat News. It is expected that the paper will be in its new quarters in 1981.

During the year Ross Munro, vice-president and publisher of The Gazette in Montreal, retired after a distinguished career of 43 years, the last 31 of which had been with Southam. He was succeeded by Robert McConnell, the assistant publisher of The Gazette. Robert Pearson, vice-president and publisher of the Windsor Star, retired after 33 years service with that paper. He was succeeded by Gordon Bullock who was previously assistant publisher at the Edmonton Journal. Also retired in 1979 was Jack Grainger, vice-president and publisher of the North Bay Nugget, a 50 year employee of that paper. His successor is Clifford Sharp who was previously advertising director of The Sault Star.

TV Times, our television program listing magazine, continues to prosper. Its revenue in Southam papers increased 24 percent in 1979. Its circulation of 1,641,000 includes our larger papers as well as four non-Southam dailies in Ontario.

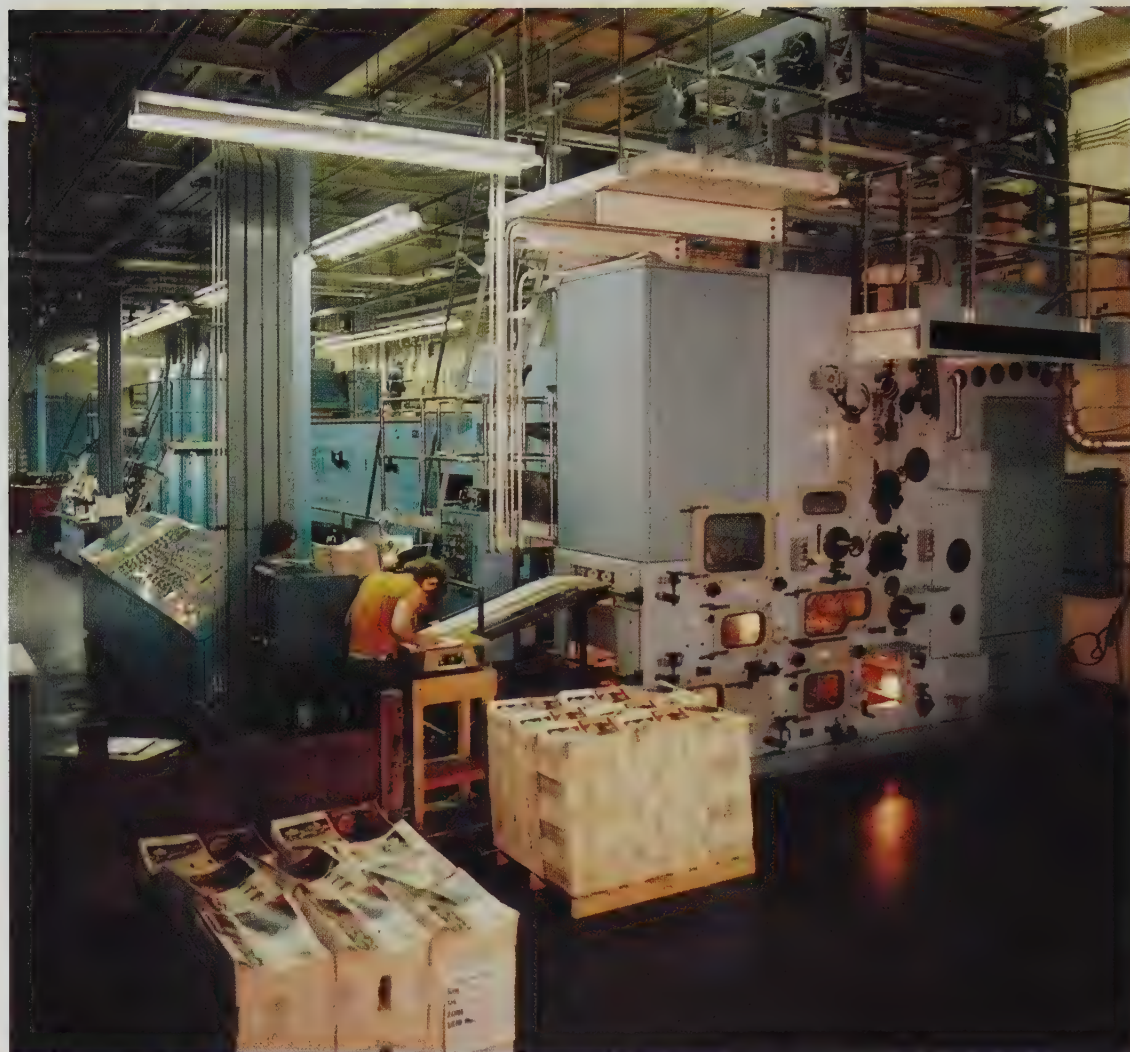
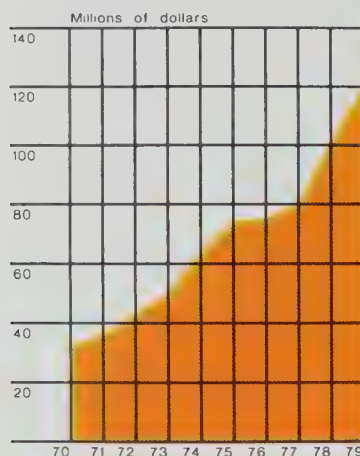
In the fall of 1979 The Canadian, a newspaper distributed rotogravure magazine in which we had a 50 percent interest, was amalgamated with Weekend to form Canadian/Weekend magazine. On March 15 this year its name was changed to Today Magazine. It is expected that Today's format and content together with its more efficient circulation pattern will produce improved results. Southam shares ownership of the new magazine equally with Torstar and F.P.

Distribution of circulation

British Columbia	141,085*
Alberta	328,420
Manitoba	106,395
Ontario	480,688
Quebec	217,221
Total	1,273,809
*includes Vancouver Province 119,008	
December 31, 1979	

Southam Printing Limited Revenues

1979 \$119,949,000



The new 32 page web offset press at Southam Murray

The Canadian commercial printing industry is made up of a very large number of individual and relatively small companies which compete actively with each other and with a small group of larger multi-divisional operations. Southam Printing Limited appears to rank third in industry revenues and for 1979 first in income. The industry has just completed a record year in volume and revenues.

Within Southam the growth was shared by all divisions. Revenues increased 17.5 percent to \$119,949,000 and operating income before income taxes and interest improved 48.7 percent to \$12,068,000. This success reflects great credit on an excellent management team and equally on the skills and support of approximately 1,800 employees in Southam Printing.

Southam Murray operates the largest printing plant in Canada with eight acres under one roof. A 32 page four colour magazine press was brought into full operation during the year.

Canadian Publishers completed a 41,000 square foot building for its Calgary operation. Further expansion is planned in Calgary in 1980. A 30,000 square foot addition is now under construction at its Winnipeg plant to house a new press.

New press equipment is currently on order or scheduled for McLaren, Morris and Todd, Offset Print and Litho and Southam Business Forms.

Group capital expenditures were \$6,382,000 in 1979. An additional \$6,500,000 is committed for 1980.

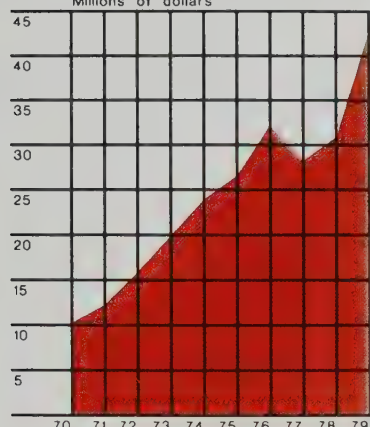
All divisions are currently operating well and at satisfactory capacity levels. Further improvement in revenues and profitability is anticipated in 1980.

In February, 1980, Douglas G. Scott, FCA was appointed president of Southam Printing, succeeding Fred Best who remains chairman. Mr. Scott had been vice-president, finance and secretary. At the same time, Jack Crawford was appointed senior vice-president and was succeeded by Ronald Chase who became vice-president and general manager at Southam Murray.

Southam Communications Limited Revenues

1979 \$41,734,000

Millions of dollars



Avcor's Vistran system is capable of output in full colour slides, videotape or hard copy.

In 1979 this subsidiary changed its name from Southam Business Publications Limited to Southam Communications Limited to reflect its broadening range of activities.

The company serves business, industry, the professions and government with 73 business and professional publications, 50 business, trade and consumer shows and an extensive list of communication and information services. Approximately 800 employees are involved in these activities.

The major portion of revenues continues to be generated by advertising. However, revenue from direct users or subscribers is of growing importance. Examples are Southam Building Reports, Daily Oil Bulletin, Canadian Medical Directory and Canadian Oil Register. We hope to increase the percentage of total revenues from these and similar information services.

Total revenues of \$41,734,000 were up 34.5 percent from the previous year. Operating income before income taxes and interest was \$5,245,000 compared with \$2,116,000 in 1978.

The publishing division made substantial progress with revenues of \$21,400,000. Advertising page sales increased a modest 2.1 percent but the growth is significant after several years of decline.

Revenue for Southex Exhibitions was the second highest on record for the division. Some shows are produced every second or third year and this was an "off-show year" for some major shows. Six new exhibitions were introduced.

The Marketing Services division improved revenue by 3 percent. This division represents 11 diverse operations ranging from direct mail and fulfillment activities to CanaData, a statistical leading indicator of construction in Canada.

Trans Ad Limited added substantially to the company's revenues and profits in 1979. Our efforts to retain the Toronto Transit Commission contract were, however, unsuccessful. This wholly owned subsidiary has been reorganized and will continue to contribute to the overall growth of the organization, but at a reduced rate.

Our 50 percent interest in Avcor Audio/Visual Corporation has permitted considerable development in graphic computer software and hardware. Marketed under the name Vistran 5000, the unique programming makes it possible to convert statistical data directly from a computer into a variety of multi-coloured charts and graphs at a fraction of normal speed and cost. All of the charts and graphs in this report were produced on Avcor's Vistran computer. Avcor's traditional audio/visual business showed substantial growth during the year.

Early in 1979, we acquired a 60 percent interest in Corpus Information Services which offers specialized newsletters, legislation services, conducts seminars and publishes annual references such as the Administrative Index and Corpus Almanac.

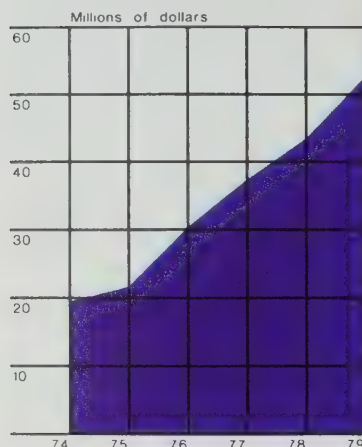
Distribution of circulation

British Columbia	103,883
Alberta	58,439
Manitoba	23,663
Ontario	260,461
Quebec	127,108
Other	62,061
Total	635,615



Coles Book Stores Limited Revenues

1979 \$52,134,000



A model of Coles' planned store in downtown Toronto with 70,000 square feet of space.

Coles Book Stores Limited set new sales records in spite of economic uncertainties in the retail sector. Revenue totalled \$52,134,000 for the fiscal year ended October 27, 1979 compared with \$43,085,000 the previous year.

Operating income before interest and taxes was \$5,371,000. The contribution in 1978 was \$280,000 for two months. The year's results were achieved in spite of a number of adverse factors including severe price competition and increases in costs of foreign exchange, new books and rent of the better store locations.

These factors, together with higher interest on debt incurred at the time of acquisition, prevented Coles from making the contribution to net income we had anticipated.

By year end Coles had 152 stores in Canada and 49 in the United States. Approximately 1,500 employees are involved. Expansion will continue in 1980. One store, with 70,000 square feet of space in downtown Toronto, is expected to be the largest bookstore in the world.

Coles' publishing subsidiary continues to make satisfactory progress. It currently supplies Coles stores and other book retailers with over 1,000 titles on a wide variety of subjects.

Coles' operations underwent some changes in 1979. The removal of duty on books from the United States enabled us to consolidate warehousing operations

in Canada. This central warehouse improves distribution, control of inventory and eliminates some cost duplication.

Studies are presently under way to develop a point of sale computer system which will produce data for more accurate control of inventory and purchasing.

In October the minority shareholders of Coles voted to accept a reclassification of the company's shares. This resulted in each minority share being redeemed in cash for the same price as originally offered to all shareholders. Coles is now a wholly owned subsidiary of Southam Inc.

Coles' management team has been strengthened by the addition of R. J. Fairholm, formerly the president of Avon Products of Canada, as executive vice-president.

In the current economic environment, we are pleased with Coles' results. We believe it will make a significant contribution to Southam's income in future years.

Southam has an interest in a number of other companies in the communications field. It accounts for these on an equity basis. They are listed in note 3 to the financial statements on page 10.

The strike at Pacific Press Limited (50 percent owned) which owns The Province and The Sun in Vancouver lasted until the end of June and resulted in a significant loss for the year. A change from Saturday to Sunday publication by The Province has been successful, but the return by both papers to pre-strike figures for advertising and circulation has been slower than anticipated.

Selkirk Communications Limited (38 percent owned) had a record year. A cable TV franchise in Florida was successfully launched. Selkirk's investment in UK commercial radio enjoyed major gains in advertising revenues. Radio and television properties in Canada continued to expand. The company's broadcast sales representation business was expanded with the addition of new contracts in the United States. Net income for the year increased by 28.7 percent.

TV Guide Inc. (33 percent owned) also achieved record revenues. Net income was ahead 77.6 percent. During the year Canadian Living, a consumer magazine, was acquired for cash.

Both the Kitchener-Waterloo Record (48 percent owned) and the Brandon Sun (49 percent owned) continued to operate successfully in their respective markets.

In 1979 Southam joined with Torstar Corporation to form Infomart. This joint venture is a research and development enterprise exploring the market potential of interactive, electronic communication systems, known generically as "videotex". Infomart is currently working on field trial arrangements with a number of telephone companies using the "Telidon" technology developed by the federal Department of Communications.

Retirement funds statement

(not included in company accounts)

	1979	1978
	(Thousands of dollars)	
Balance January 1	\$66,565	\$58,923
Contributions during year		
Employee required	2,623	2,283
Company	3,376	3,248
	5,999	5,531
Employee voluntary extra	112	119
Transfer of funds from subsidiaries	281	202
	6,392	5,852
Net income of funds	5,645	4,437
	12,037	10,289
Net profit (loss) on sale of investments	281	(297)
	12,318	9,992
Payments for pensions and refunds on death or termination	2,529	2,350
	9,789	7,642
Balance December 31	\$76,354	\$66,565

This statement includes all pension funds administered by the company in addition to those funds included in The Southam Retirement Plan.

In 1979 the funds were administered by The Royal Trust Company, Investors Group Trust Co. Ltd., Sun Life Assurance Company of Canada, Confederation Life Insurance Co. or invested in government annuities.

The actuarial report of December 31, 1978 showed that the plan was satisfactorily funded. It is anticipated that this will also be the case at December 31, 1979.



Significant statistics

	Employees	Salaries and wages	Shares owned
		(Thousands of dollars)	
British Columbia	308	\$ 4,107	486,405
Alberta	1,832	\$ 29,707	652,372
Manitoba	771	\$ 10,622	153,956
Ontario	4,781	\$ 80,709	7,495,375
Quebec	1,404	\$ 27,342	3,366,589
Other	475	\$ 2,145	293,980
Total	9,571	\$154,632	12,448,677

Southam Inc.

**** St. Clair Balfour**
chairman of the board

**** Gordon N. Fisher**
president

*** Frederick Best**
chairman of the board
Southam Printing Limited

Gordon Bullock
vice-president and publisher
The Windsor Star

D. H. E. Carlson
publisher
Financial Times of Canada

William J. Carradine
senior vice-president

W. R. Dane
publisher
The Sault Star

J. F. Evans
publisher
The Citizen, Prince George

I. C. MacDonald
publisher
The Medicine Hat News

*** E. J. Mannion**
chairman
Southam Communications Limited

Robert McConnell
vice-president and publisher
The Gazette, Montreal

G. L. Meadows, CA
vice-president, corporate
development

*** John D. Muir**
vice-president and publisher
The Spectator, Hamilton

Peter O'Brian
vice-president, personnel

William Newbigging
vice-president and publisher
The Citizen, Ottawa

J. P. O'Callaghan
vice-president and publisher
Edmonton Journal

L. J. Rothwell
vice-president, engineering
and production

Clifford C. Sharp
publisher
The North Bay Nugget

Brian H. Shelley, CA
vice-president, finance
and secretary
Paddy Sherman
vice-president and publisher
The Province, Vancouver
(published for Pacific Press Limited)

**** F. G. Swanson**
vice-president and publisher
The Calgary Herald

James S. Thomson
publisher
The Brantford Expositor

John S. Ward
vice-president, marketing

E. H. Wheatley
vice-president and publisher
The Winnipeg Tribune

E. P. Wilson
publisher
The Sun Times, Owen Sound

**** George L. Crawford, QC**
Calgary, Alberta

****† Hugh G. Hallward**
Montreal, Quebec

**** J. Norman Hyland**
Vancouver, British Columbia

*** Ross Munro, OC, OBE**
Loretto, Ontario

*** Marnie Paikin**
Hamilton, Ontario

****† J. Jacques Pigott**
Toronto, Ontario

*** Gaston Pouliot, QC**
Montreal, Quebec

*** G. H. Southam, OC**
Ottawa, Ontario

*** Gordon T. Southam**
Vancouver, British Columbia

*** Wilson J. H. Southam**
Mississauga, Ontario

****† Adam H. Zimmerman, FCA**
Toronto, Ontario

Southam Printing Limited

*** Frederick Best**
chairman of the board

*** D. G. Scott, FCA**
president

*** John S. Crawford**
senior vice-president

André Beaudet
vice-president and general manager
Specialty Printing
and Business Forms divisions

Ronald W. Chase
vice-president and general manager
Southam Murray Printing division

J. K. Lawson
vice-president and general manager
Southam Farwest Printing division

Frank A. Lipari
vice-president and general manager
Gazette Canadian Printing division

John Morris
vice-president and general manager
McLaren, Morris and Todd division

*** Morrie Ostrow**
vice-president and general manager
Canadian Publishers division

Donald R. Townsend
vice-president and general manager
Offset Print & Litho division

C. G. J. Hewitt, CA
secretary-treasurer

*** St. Clair Balfour**
Toronto, Ontario

*** E. L. Donegan**
Toronto, Ontario

*** Gordon N. Fisher**
Toronto, Ontario

*** Hugh G. Hallward**
Montreal, Quebec

*** J. Jacques Pigott**
Toronto, Ontario

Southam Communications Limited

*** Edward J. Mannion**
chairman and chief executive officer

*** Sidney J. Cohen**
president

G. W. Funston
vice-president

D. E. McClure
vice-president

G. G. Stewart
vice-president

C. Summerfield
vice-president

A. P. Varcoe, CA
vice-president, finance and secretary

*** St. Clair Balfour**
Toronto, Ontario

*** E. L. Donegan**
Toronto, Ontario

*** Gordon N. Fisher**
Toronto, Ontario

*** J. Jacques Pigott**
Toronto, Ontario

*** Adam H. Zimmerman, FCA**
Toronto, Ontario

Coles Book Stores Limited

*** Gordon N. Fisher**
chairman of the board

*** Jack Cole**
president

*** Jeffrey B. Cole**
secretary and vice-president,
marketing

Ronald J. Fairholm
executive vice-president

Robert L. Johnston
vice-president, operations

Geoffrey R. Matthews
vice-president, purchasing

Richard L. Terry
director of accounting

*** Frederick Best**
Toronto, Ontario

*** Ross L. Butters**
Toronto, Ontario

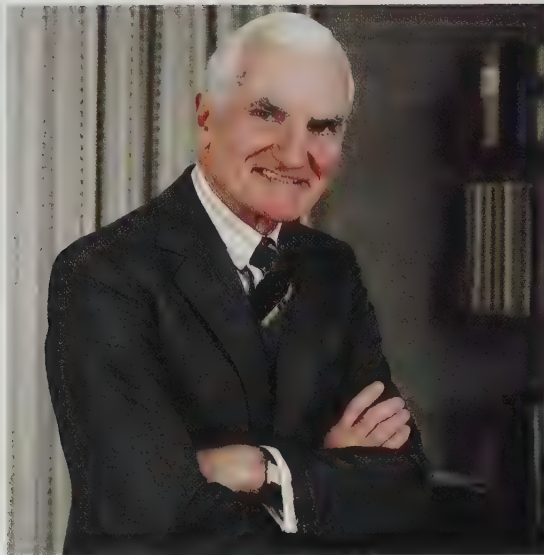
*** E. L. Donegan**
Toronto, Ontario

*** E. J. Mannion**
Toronto, Ontario

*** G. L. Meadows, CA**
Toronto, Ontario



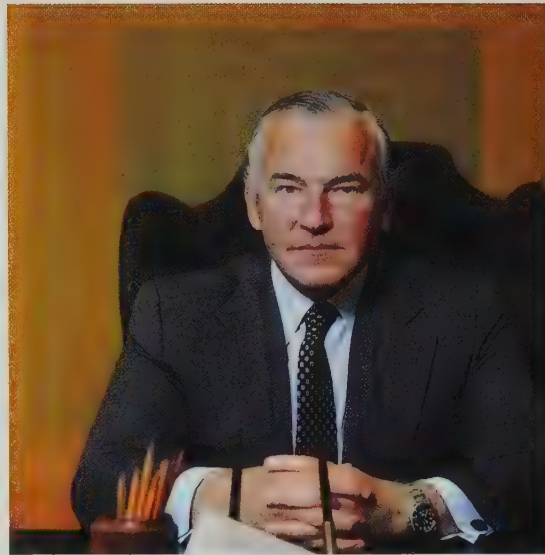
* Director
** Director and member
of the executive committee
† Member of the audit committee



St. Clair Balfour

Elected director 1953.
Born Hamilton, 1910.

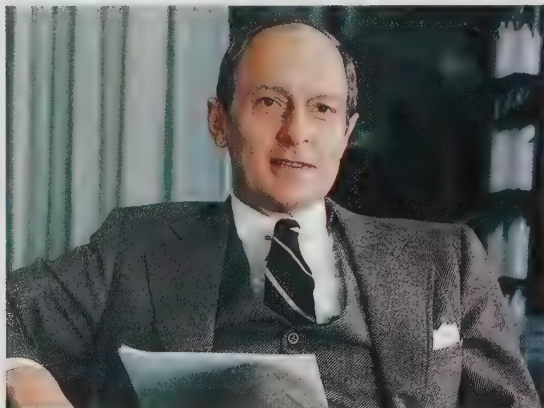
BA (Toronto). Joined The Spectator, Hamilton 1931; publisher 1951; vice-president and managing director, Southam Inc. 1954; president 1961; chairman 1975. Vice-chairman Commonwealth Press Union, governor Toronto Stock Exchange, director Ontario Heart Foundation, member Governing Council University of Toronto.



Gordon N. Fisher

Elected director 1967.
Born Montreal, 1928.

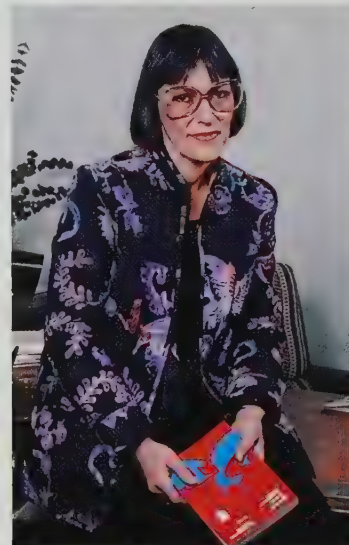
B.Eng. (McGill). Joined head office of Southam Inc. as executive assistant 1958; assistant to the president 1962; vice-president 1965; vice-president and managing director 1969; president 1975. Trustee, Toronto General Hospital, governor Trinity College School, member policy committee Business Council on National Issues.



Adam H. Zimmerman, FCA

Elected director 1970.
Born Toronto, 1927.

BA (Toronto). Joined Noranda Mines Limited as assistant comptroller 1958; comptroller 1961; vice-president 1966; executive vice-president and director 1974. Chairman Fraser Companies, Ltd.; president Northwood Pulp and Timber Limited. Director, manufacturing and forest product subsidiaries and associates of Noranda and several Canadian public companies. Director Branksome Hall School. Trustee Hospital for Sick Children.



Marnie Paikin

Elected director 1978.
Born Toronto, 1936.

BA (University of Western Ontario). Chairman Governing Council, University of Toronto; member board of trustees Royal Ontario Museum; vice-president Hamilton Foundation. Past chairman Hamilton Place; past chairman women's division United Jewish Welfare Fund of Hamilton.



Ross Munro, OC, OBE

Elected director 1968.
Born Ottawa, 1913.

BA (Toronto). Canadian Press staff writer 1936. Joined Southam News 1948; assistant to the publisher The Province, Vancouver 1951; editor 1955; vice-president and publisher The Winnipeg Tribune 1959; publisher The Canadian 1965; publisher Edmonton Journal 1968; publisher The Gazette, Montreal 1976-1979. Past President The Canadian Press.



Hugh G. Hallward

Elected director 1974.
Born Montreal, 1926.

BA (McGill). President Argo Construction Ltd. Chairman, board of directors, Bishop's College School, governor McGill University and a director of a number of Canadian companies.



George L. Crawford, QC

Elected director 1959.
Born Edmonton, 1915.

Called to Alberta Bar in 1939. Associate of McLaws & Company. Honorary Life Member Y.M.C.A. Past president Calgary Exhibition & Stampede. Director Canadian Utilities Ltd., Norwich Union Life Insurance Society, Selkirk Communications Limited, Continental Bank of Canada, IAC Limited and other Canadian companies.



J. Jacques Pigott, P.Eng.

Elected director 1962.

Born Detroit, Mich., 1916.

B.Sc. (Toronto). Joined Pigott Construction Limited in 1946 becoming executive vice-president of that company in 1956. Director North American Life Assurance Co., VGM/Trustco Ltd., Victoria and Grey Trust Co., and several other Canadian companies.



Gordon T. Southam

Elected director 1955.

Born Ottawa, 1910.

Joined The Citizen, Ottawa 1930; The Province, Vancouver 1936. President, Gordco Investments Limited. Director of a number of Canadian companies.



G. Hamilton Southam, OC

Elected director 1964.

Born Ottawa, 1916.

BA (Toronto). Joined The Times of London 1945; The Citizen, Ottawa 1946. Joined Department of External Affairs 1948; Secretary of Legation, Stockholm, 1949-1953; Chargé d'Affaires and later Ambassador, Warsaw, 1959-1962. Coordinator National Arts Centre, Ottawa 1964. Director-General 1967-1977. Chairman Festival Canada 1977-1979.



Wilson J. H. Southam

Elected director 1971.

Born Calgary, 1932.

BA (McGill), MA (Oxford). Reporter, The Spectator, Hamilton 1960. Canadian Broadcasting Corporation public affairs writer, director, producer, 1963-1966. President Cox Systems. Member Health Council of Ontario. Director Lively Arts Marketing Board; Owl Magazine and various community organizations.



J. Norman Hyland

Elected director 1973.

Born Vancouver, 1913.

B.Comm. (U.B.C.). Chairman Pacific Press Ltd. Director MacMillan Bloedel Limited and a number of other Canadian companies.



Gaston Pouliot, QC

Elected director 1975.

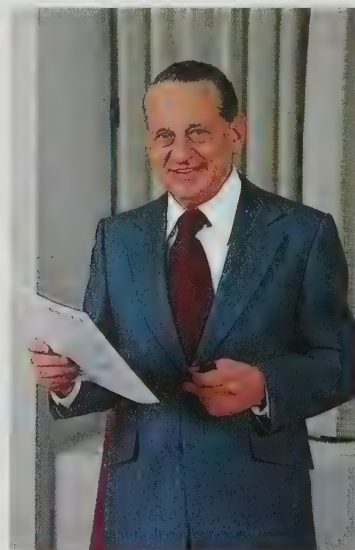
Born Farnham, Quebec, 1922.

Called to Quebec Bar in 1944. Partner, law firm Pouliot, Dion, Guilbault, Payette, Caron. Director of a number of Canadian companies.



J. Patrick O'Callaghan

Born County Cork, Ireland, 1925. Various British newspapers, 1947-1959. Red Deer (Alberta) Advocate 1959. Joined Edmonton Journal as assistant to the publisher 1968; executive editor Southam News Services 1969; executive assistant head office 1971; vice-president and publisher The Windsor Star 1972; publisher Edmonton Journal 1976. Director Canadian Daily Newspaper Publishers Association, The Canadian Press, American Press Institute.



Fred Best

Elected director 1978. Born Berlin, Germany, 1913. Joined Canadian Printing & Lithographing Co. Ltd. 1945; general manager 1952; president 1960. President Offset Print & Litho Ltd. and Canprint Holdings Ltd. on acquisition by Southam Inc. in 1971. Vice-president and director Southam Printing Limited 1972; president 1975; chairman 1978. Past president Graphic Arts Industries Association; director Graphic Arts Technical Foundation; chairman Canadian Graphic Arts Scholarship Trust Fund.



Peter O'Brian

Born Toronto, 1917. RAF, 1937-1959; graduate RAF College, England, W. H. Smith & Son (Canada) Ltd., 1960. Urwick, Currie Limited 1963. Joined Southam Inc. as assistant to the president 1965; vice-president, personnel 1967. Life governor Trinity College School. Governor, Canadian Corps of Commissioners (Toronto & Region).



William J. Carradine

Born Smooth Rock Falls, Ont., 1929. BA Journalism, MBA (University of Western Ontario). Procter & Gamble 1954-1968. Vice-president and general manager London Free Press 1968-1972. Joined Southam head office as vice-president 1972; vice-president, administration 1973; senior vice-president, 1980.



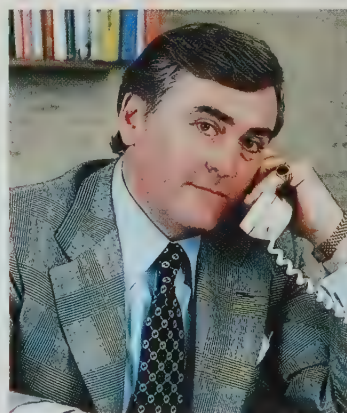
Gordon Bullock

Born Leeds, England, 1932. Various British newspapers 1949-1954. Daily News, Hamilton 1954; Joined The Spectator, Hamilton 1957, managing editor 1966, executive editor 1970, business manager 1975, general manager 1976; assistant publisher Edmonton Journal 1977; vice-president and publisher The Windsor Star 1979.



Paddy Sherman

Born Newport, England, 1928. Various British newspapers 1947-1952. Joined The Province, Vancouver 1952; editor 1965; vice-president and publisher 1972. Founding director Mountain Rescue Group and Outward Bound, Canada. Author: Cloud Walkers (1965); Bennett (1966).



L. John Rothwell, P.Eng.

Born Margate, England, 1927. Joined the company as vice-president, engineering & production 1972. Previously North American president of Crabtree-Vickers Ltd. Member of the Graphic Arts Advisory Committee of The Rochester Institute of Technology. Fellow of the Institution of Mechanical Engineers, London, England.



E. H. Wheatley

Born Calgary, 1927. Joined The Calgary Herald 1945; Toronto office Southam Newspapers 1950; national advertising manager The Calgary Herald 1958; advertising director Edmonton Journal 1960, marketing director 1968, assistant to the publisher and marketing director 1970; publisher The Brantford Expositor 1971; vice-president and publisher The Windsor Star 1976; publisher The Winnipeg Tribune 1977. Director Audit Bureau of Circulations.



George L. Meadows, CA

Born Toronto, Ontario, 1938. BA (Toronto). Clarkson, Gordon & Co. 1963-1973, Project Group of Canada Ltd. 1973-1974; joined Southam Business Publications Limited 1974 as secretary-treasurer; vice-president and secretary-treasurer 1976; joined head office as assistant to the president 1977; vice-president, corporate development 1978.



William Newbigging

Born Toronto, 1939.

Joined Edmonton Journal 1957; city editor 1965; news editor 1967; assistant to the publisher 1971; executive assistant to the publisher The Citizen, Ottawa 1973; business manager 1974; general manager 1976; assistant publisher and general manager 1977; vice-president and publisher 1978.



Frank G. Swanson

Elected director 1971.

Born Edmonton, 1917.

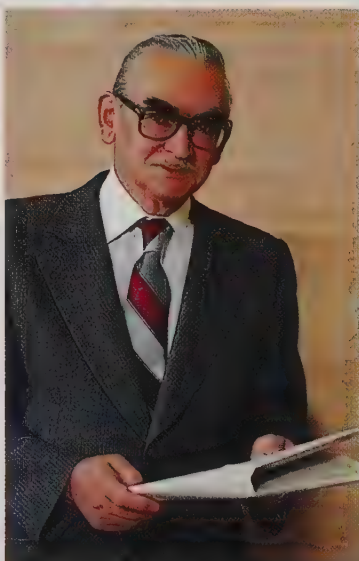
BA (Alberta), MSc (Columbia). Joined Edmonton Journal 1938; Southam London bureau 1945; The Citizen, Ottawa 1948; associate editor 1956; editor 1960; assistant publisher The Calgary Herald 1961; vice-president and publisher 1962. Director Royal Canadian Geographical Society. Associate director Calgary Exhibition and Stampede.



Brian H. Shelley, CA

Born Manchester, England, 1917.

McDonald, Currie & Co., Toronto 1947, Brascan Limited, Sao Paulo, Brazil 1950. Appointed secretary-treasurer Southam Inc. 1957; vice-president finance and secretary 1971.



John S. Ward

Born Toronto, 1919.

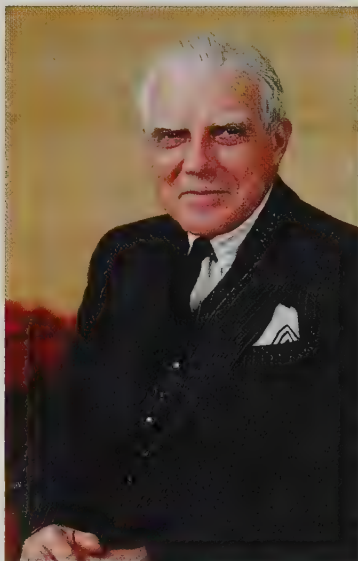
MacLaren Advertising Company Limited, 1946. Joined Southam Newspapers, Toronto, 1948; assistant advertising manager Edmonton Journal 1950; advertising director 1951; vice-president, marketing, head office, 1960.



Sidney J. Cohen

Born Toronto, 1933.

Joined Hugh C. MacLean Publications Ltd. (now Southam Communications Limited) as circulation manager 1953; director of research 1957; business manager 1960; publisher 1964; vice-president 1971; executive vice-president 1975; president 1977. President Canadian Business Press.



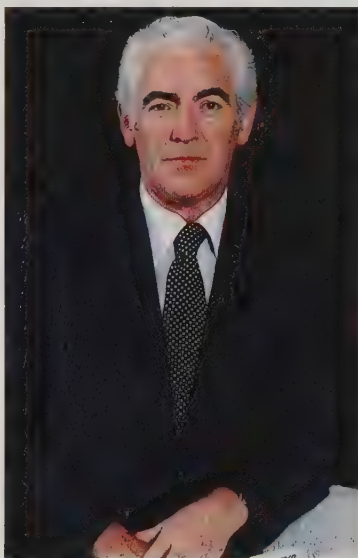
John D. Muir

Elected director 1978.

Born London, Ontario, 1919.

B.Comm. (Queen's).

Joined The Spectator, Hamilton as retail advertising manager 1952; advertising sales manager 1954; business manager 1959; assistant publisher 1970; vice-president and publisher 1971. Canadian director Newspaper Publishing Premium Fund Committee.

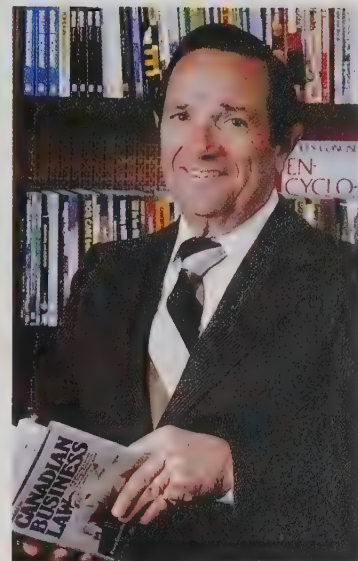


E. J. Mannion

Elected director 1978.

Born Preston, Ontario, 1927.

Joined Thomson Newspapers 1948; retail advertising director 1954; director of sales 1957; general manager, Thomson Newspapers U.S. 1966. President and publisher, Southstar Publishers Limited 1968; chairman and chief executive officer, Southam Communications Limited 1978.

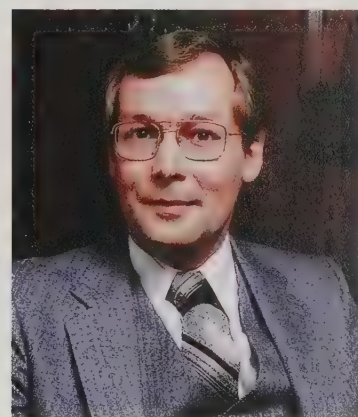


Jack Cole

Born Detroit, Mich., 1920.

Joined Coles Book Stores

1934; vice-president 1948; president and chief executive officer 1971.



Robert McConnell

Born Vancouver, 1942.

BA English (University of British Columbia), Masters in English (University of Chicago). Joined Vancouver Province 1965; assistant city editor 1966; editorial writer 1968; Victoria Bureau 1970; editor 1972; executive assistant to the publisher The Gazette, Montreal 1976; general manager 1977; assistant publisher 1979; vice-president and publisher 1979.



D. G. Scott, FCA

Born Toronto, Ontario, 1924.

Thorne Riddell & Co. 1942. Joined Southam Printing Limited as controller 1954, appointed treasurer 1962, secretary-treasurer 1967, vice-president finance and secretary 1975, president 1980.

Southam Inc.

Head Office
321 Bloor Street East
Toronto, Ontario
M4W 1H3
(416) 925-2881

Newspapers

The Gazette, Montreal
The Citizen, Ottawa
The North Bay Nugget
The Spectator, Hamilton
The Brantford Expositor
The Owen Sound Sun-Times
The Windsor Star
The Sault Star
The Winnipeg Tribune
The Medicine Hat News
The Edmonton Journal
The Calgary Herald
The Citizen, Prince George
The Province, Vancouver
(published for Pacific Press Limited)
Financial Times of Canada, Toronto
Burlington Gazette, Burlington, Ontario

News bureaux

Southam News Services
Ottawa, Halifax, Quebec City, Montreal, Toronto,
Calgary, Vancouver, Washington, London, Paris, Nairobi,
Tokyo

Newspaper advertising offices

Toronto, Montreal and representation in Vancouver
and London, England

Subsidiaries

Canadian Publishers Company Limited
Coles Book Stores Limited
Coles Publishing Company Limited
Coles the book people! Inc.
Corpus Information Services Limited (60%)
Journal of Commerce Limited
McLaren, Morris and Todd Limited
M.M. and T. Holdings Limited
Les Publications Eclair Ltée
Southam Communications Limited
Southam Communications Inc.
Southam Farwest Printing Limited
Southam Printing Limited
South-Times Publishing Limited (75%)
Trans Ad Limited
Videosurgery Limited

Associated companies (50% owned)

Avcor Audio/Visual Corporation
Pacific Press Limited
Panex Show Services Ltd.
Pentacle VIII Productions Limited
Trans Canada Expositions Limited

Operating printing divisions

Canadian Publishers, Calgary, Alberta
Canadian Publishers, Winnipeg, Manitoba
Gazette Canadian Printing, Candiac, Quebec
McLaren, Morris and Todd, Mississauga, Ontario
Offset Print & Litho, Don Mills, Ontario
Southam Business Forms, Candiac, Quebec
Southam Farwest Printing, Burnaby, British Columbia
Southam Murray Printing, Weston, Ontario
Southam Specialty Printing, Candiac, Quebec

Business publications

Administrative Digest
British Columbia Lumberman
The Canadian Architect
Canadian Chemical Processing
Canadian Consulting Engineer
Canadian Doctor
Canadian Footwear Journal
Canadian Forest Industries
Canadian Industrial Equipment News
Canadian Mining Journal
Canadian Occupational Health and Safety News
Canadian Office Products and Stationery
Canadian Petroleum
Canadian Plastics
Canadian Pool & Patio
Canadian Transportation & Distribution Management
Canadian Travel News
Construction West
The Corpus Administrative Index
CPI Management Service
CPI Product Profiles
Daily Commercial News & Construction Record
Dental Guide
Eco/Log Week
Electrical Equipment News
Electronics & Communications
Energy Analects
Energy Conservation Report
Engineering & Contract Record
Executive
Génie-Construction
Gifts and Tablewares
Health Care
Heating Plumbing & Air Conditioning
Plomberie Chauffage et Climatisation
Journal of Commerce
Laboratory Product News
Meetings & Incentive Travel

Modern Medicine of Canada
 Médecine Moderne du Canada
 Opérations Forestières
 Oral Health
 Pool Industry Canada
 The Public Sector
 Pulp & Paper Canada
 Shop
 Southam Building Guide
 Water & Pollution Control

Other publications

Administrative Business Directory
 British Columbia Lumberman's Greenbook
 The Canadian Architect Yearbook
 Canadian Forest Industries Directory
 Canadian Highway Carriers Guide
 Canadian Medical Directory
 Canadian Mining Manual
 Canadian Occupational Safety and Health Law
 Canadian Oil Register
 Canadian Plastics Directory & Buyers Guide
 Canadian Ports & Seaway Directory
 Chemical Buyers Guide
 The Corpus Almanac of Canada
 Daily Oil Bulletin
 Eco/Log Canadian Pollution Legislation
 Electronic Procurement Index of Canada
 Génie-Construction Annuaire
 Health Care Products & Suppliers Directory
 Heating, Plumbing & Air Conditioning Buyers Guide
 Laboratory Buyers Guide
 Le Guide de L'Acheteur
 Opérations Forestières Annuaire
 Pulp & Paper Annual & Directory
 T.V. Times
 Water & Pollution Control Directory
 and Environmental Handbook
 Yardsticks for Costing

Shows and exhibitions

Alberta Industrial & Business Show
 Atlantic Provinces Floorcovering Market
 British Columbia Business Show
 B. C. Forest Industries Equipment Exhibition
 Buffalo Gift & Housewares Show
 Buffalo Home & Garden Show
 Buffalo International Production Show
 Calgary Better Living Show
 Calgary Spring Gift Show
 Calgary Fall Gift Show
 Calgary Outdoor Living Show
 Canada Farm Show
 Canadian Chemical & Process Equipment Exhibition
 Canadian Garden Pool & Patio Show
 Canadian Mining & Aggregate Equipment Exhibition

Canadian Offshore Petroleum Show
 Canadian Tire Products Parade
 Canadian Tire's "Do-it-Yourself" Automotive Clinic
 Canadian Western Farm & Ranch Show
 Edmonton Home and Garden Show
 Forest Industries Equipment Exhibition
 Graphic Trade Show
 Halifax Gift Show
 International Electrical,
 Electronics Conference and Exposition
 International Gourmet Show – Toronto
 International Gourmet Show – Calgary
 International Interior Design Show
 International Underwater Show
 ISA Instrument Show
 Klondike Industrial & Business Show
 Manitoba Industrial & Business Show
 Materials Handling & Distribution Show
 Montreal Spring Gift Show
 Montreal Fall Gift Show
 National Home Show
 National Petroleum Show
 Ontario Floorcovering Market
 Ottawa Industrial & Business Show
 Ottawa Pool & Patio Show
 Photo and Travel Show
 Round Up
 Sanitation & Maintenance Show
 Silvicultural Equipment Exhibition
 Toronto Spring Gift Show
 Toronto Fall Gift Show
 Vancouver Spring Gift Show
 Vancouver Fall Gift Show
 Vancouver Home and Garden Show
 Vancouver Island Business Show
 Western Ontario Industrial & Business Show

Services

Action Mailers
 Auerbach Reports
 CanaData
 Consumer Power Package
 Southam Marketing Communications
 Southam Sales Management Systems
 Southam Building Reports
 Southam Books
 Southam Direct Marketing Services
 Southam Product Cards
 Trade Show Consultants



Ten-year comparative summary

(Thousands of dollars except where indicated*)

28

1970 1971

Income

Revenue from operations	\$ 110,761	123,999
Operating expenses	\$ 94,620	105,273
Interest on borrowed funds	\$ 478	559
Depreciation and amortization	\$ 2,685	2,822
Operating income before tax	\$ 12,978	15,345
Income taxes	\$ 6,973	7,933
Operating income	\$ 6,005	7,412
Income from investments	\$ 1,831	2,709
Income before extraordinary items	\$ 7,836	10,121
Extraordinary items	\$ —	593
Net income	\$ 7,836	10,714
*Net income per share	\$.63	.86
Dividends paid	\$ 4,185	4,653
*Dividends per share	\$.33¾	.37½
Percent income distributed	% 53.4	43.4

Financial position

Current assets	\$ 16,961	23,414
Current liabilities	\$ 12,064	19,475
Working capital	\$ 4,897	3,939
Investments	\$ 13,809	13,844
Fixed assets – gross	\$ 63,998	82,345
Accumulated depreciation	\$ 39,051	48,408
Other assets	\$ 355	304
Goodwill	\$ —	—
Long-term debt	\$ 4,335	18,212
Deferred income taxes	\$ 1,075	1,655
Capital stock: 5 percent cumulative, redeemable, convertible, voting, preferred shares	\$ —	2,165
common	\$ 8,000	8,000
Retained earnings	\$ 30,598	21,992
*Equity per common share	\$ 3.11	2.42

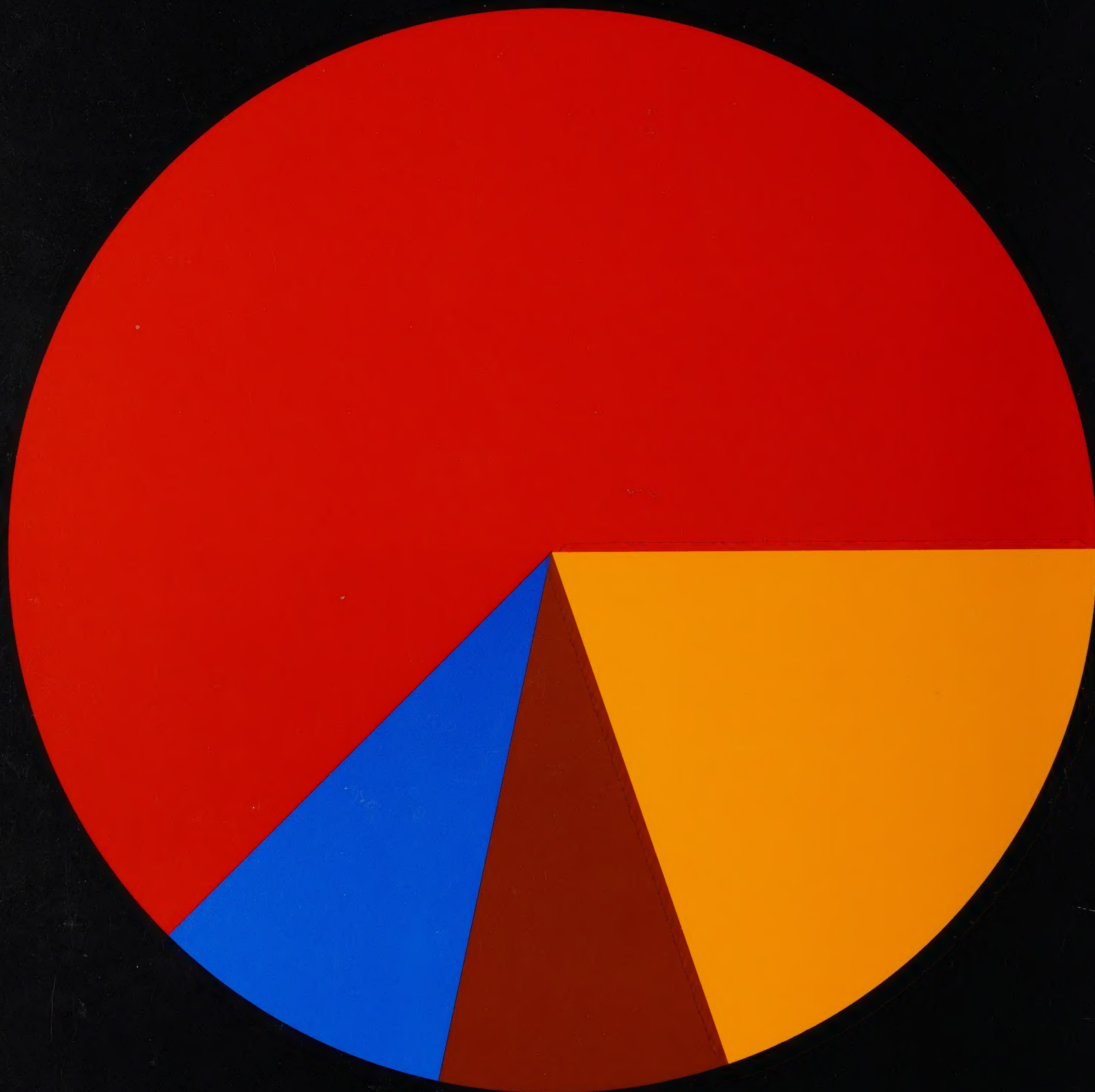
Statistics

Advertising linage – newspapers (1,000s)	186,670	197,861
Advertising pages – magazines (1,000s)	16	18
Newspaper pages (1,000s)	147	152
Magazine pages (1,000s)	32	37
Daily newspaper circulation – December (1,000s)	748	878
Tons of newsprint used (1,000s)	87	89
Employees	5,182	6,136
Salaries and wages paid	\$ 44,284	49,438
Employee benefits	\$ 2,720	3,222
Improvements to plant	\$ 5,057	5,619
Shareholders	2,763	2,689
*Price range per common share (Price per share – Valuation day \$18.28)	\$16.25-10.75	18.59-13.50
Return on revenue (operating margin)	% 11.7	12.4
Equity – after adjusting for goodwill previously written off (historical)	\$ 53,536	61,762
Return on historical equity	% 14.6	16.4
Equity – adjusted for inflation	\$ 71,956	82,341
Return on adjusted equity	% 10.9	12.3

From 1975 onward “Consolidated Statement of Income” includes our share of the earnings of associated companies.



1972	1973	1974	1975	1976	1977	1978	1979
157,641	183,453	221,920	257,300	293,012	312,593	379,108	501,305
130,755	151,242	186,271	221,526	252,121	270,240	322,828	428,266
1,422	1,085	2,017	2,085	1,888	933	2,606	7,586
3,864	4,270	5,148	6,052	7,025	7,752	9,961	12,824
21,600	26,856	28,484	27,637	31,978	33,668	43,713	52,629
10,579	12,617	13,224	12,764	14,223	14,058	17,982	23,313
11,021	14,239	15,260	14,873	17,755	19,610	25,731	29,316
2,959	4,094	3,950	5,085	5,698	6,436	5,293	3,132
13,980	18,333	19,210	19,958	23,453	26,046	31,024	32,448
(124)	302	813	10,825	659	—	2,209	7,202
13,856	18,634	20,023	30,783	24,112	26,046	33,233	39,650
1.11	1.49	1.61	2.37	1.93	2.09	2.67	3.18
6,556	8,168	9,799	9,772	9,882	10,861	14,616	14,989
.52	.65	.80	.80	.81½	.87	1.17	1.20
47.3	43.8	48.9	31.7	41.0	41.7	44.0	37.8
28,574	35,358	45,542	56,480	58,188	65,922	104,219	127,064
25,594	33,825	40,771	43,547	51,323	50,874	81,582	113,476
2,980	1,533	4,771	12,933	6,865	15,048	22,637	13,588
13,281	13,134	13,339	18,744	30,839	35,469	38,103	48,347
88,888	97,664	109,212	126,900	132,216	147,879	175,581	199,532
51,420	54,422	55,613	59,877	61,577	66,996	74,173	82,214
467	469	446	327	240	253	234	344
—	2,185	2,909	7,323	5,307	5,451	30,180	30,030
12,594	8,347	10,390	12,693	4,168	6,480	39,782	27,289
2,444	3,562	6,106	10,688	12,543	14,952	18,491	22,932
2,160	2,160	2,160	2,160	2,160	2,160	2,160	1,823
8,005	8,005	8,005	8,005	8,005	8,005	8,005	8,798
28,993	38,489	48,403	72,804	87,014	105,507	124,124	148,785
2.98	3.75	4.55	6.52	7.66	9.15	10.66	12.68
250,103	272,771	294,294	320,414	354,821	373,951	395,266	433,036
21	21	22	22	25	20	17	17
171	173	180	192	208	214	225	240
50	52	52	52	54	44	41	40
900	891	881	942	985	1,013	1,134	1,155
110	114	114	119	132	142	148	162
6,391	6,473	6,930	7,410	7,314	7,203	8,814	9,571
61,205	69,343	81,839	96,254	106,868	111,879	125,777	154,632
4,326	5,039	6,581	7,781	9,366	10,457	11,298	13,209
7,387	9,536	14,782	17,048	12,976	18,828	24,354	31,626
3,524	3,526	3,546	4,027	4,120	4,134	4,165	3,941
31.50-17.75	33.00-25.50	30.25-20.00	29.00-21.50	26.00-17.88	23.00-17.75	27.25-19.75	29.00-24.75
13.7	14.6	12.8	10.7	10.9	10.8	11.5	10.5
69,062	78,558	88,472	112,873	127,083	145,576	164,193	189,310
20.2	23.3	21.7	17.7	18.5	17.9	18.9	17.1
94,005	112,149	137,876	176,203	206,800	247,213	288,080	343,157
14.9	16.3	13.9	11.3	11.3	10.5	10.8	9.5



Operating income

Southam Newspapers

Southam Printing

Southam Communications

Coles Book Stores